

ACADEMY CHARTER HIGH SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Lake Como, New Jersey

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE
ACADEMY CHARTER HIGH SCHOOL**

**1725 Main Street
Lake Como, New Jersey 07719**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Prepared by
Richard J. Gartz, CPA
School Business Administrator**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal	1-4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors.....	7

FINANCIAL SECTION

Independent Auditor's Report.....	8-10
-----------------------------------	------

Required Supplementary Information – Part I

Management's Discussion and Analysis.....	11-18
---	-------

Basic Financial Statements

A. Charter School-wide Financial Statements:

A-1 Statement of Net Position.....	19
A-2 Statement of Activities.....	20

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....	21
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	22
B-3 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23

Proprietary Funds:

B-4 Statement of Net Position.....	24
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position.....	25
B-6 Statement of Cash Flows	26

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position.....	27
B-8 Statement of Changes in Fiduciary Net Position.....	28

Notes to the Financial Statements	29-46
--	--------------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule – General Fund	47-49
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program –Budget and Actual.....	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	50

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

C.	Budgetary Comparison Schedules (Continued):	
	Notes to the Required Supplementary Information	
C-3	Budget-to-GAAP Reconciliation	51
	Other Supplementary Information	
D.	School Based Budget:	
D-1	Combining Balance Sheet.....	N/A
D-2	Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3	Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Revenues and Expenditures -Special Revenue Fund – Budgetary Basis.....	52
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis.....	N/A
F.	Capital Projects Fund:	
F-1	Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis	N/A
F-2	Summary Statement of Project Expenditures	N/A
G.	Proprietary Funds:	
	Enterprise Fund:	
G-1	Combining Statement of Net Position – Not Applicable	53
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position– Not Applicable	53
G-3	Combining Statement of Cash Flows – Not Applicable	53
	Internal Service Fund:	
G-4	Combining Statement of Net Position	N/A
G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6	Combining Statement of Cash Flows	N/A

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

Other Supplementary Information (Continued)

H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Position.....	54
H-2	Combining Statement of Changes in Fiduciary Net Position	55
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements.....	56
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements.....	57
I.	Long-Term Debt:	
I-1	Schedule of Mortgage Obligations	N/A
I-2	Schedule of Obligations Under Capital Leases.....	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Position by Component.....	58
J-2	Changes in Net Position.....	59-60
J-3	Fund Balances – Governmental Funds.....	61
J-4	Changes in Fund Balances – Governmental Funds	62
J-5	General Fund Other Local Revenue by Source	63

Revenue Capacity

J-6 – J-9	N/A
-----------	-------	-----

Debt Capacity

J-10 – J-13.....	N/A
------------------	-----

Demographic and Economic Information

J-14	Demographic and Economic Statistics.....	N/A
J-15	Principal Employers.....	N/A

Operating Information

J-16	Full-time Equivalent Charter School Employees by Function/Program	64
J-17	Operating Statistics	65
J-18	School Building Information.....	66
J-19	Schedule of Allowable Maintenance Expenditures by School Facility	N/A
J-20	Insurance Schedule.....	67

Performance Framework

J-21	Financial Performance /Fiscal Ratios.....	68
------	---	----

TABLE OF CONTENTS (CONTINUED)

Page

SINGLE AUDIT SECTION

K-1	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
K-2	Independent Auditor's Report on Compliance for Each Major Program, Report on Internal Control Over Compliance, and Report on Schedule of State Financial Assistance as Required by OMB Circular A-133 and State of New Jersey OMB Circular 04-04	71-72
K-3	Schedule of Expenditures of Federal Awards, Schedule A	73
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	74
K-5	Notes to the Schedules of Awards and Financial Assistance	75-76
K-6	Schedule of Findings and Questioned Costs	77-78
K-7	Summary Schedule of Prior Audit Findings	79

INTRODUCTORY SECTION

Academy Charter High School

1725 Main Street
Lake Como, NJ 07719

Phone (732) 681-8377
FAX (732) 681-8375

December 2, 2013

Board of Trustees
Academy Charter High School
County of Monmouth, New Jersey

Dear Board of Trustees:

The Comprehensive Annual Financial Report of the Academy Charter High School (the "Charter School") for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees and administrators of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the organizational chart and a list of the Board of Trustee members. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial information, presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, including the Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

Integrity *Respect*Empathy*Acceptance*Community*Honesty*Focus*Accountability*Responsibility

1. **REPORTING ENTITY AND ITS SERVICES:** The Academy Charter High School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds of the Charter School are included in this report. The Charter School constitutes the reporting entity. The Charter School provides a full range of educational services appropriate to grade levels 9 through 12. These included regular and special education. Enrollment remained stable throughout 2012-13 with an average daily enrollment of 206 students.

2. **MAJOR INITIATIVES:** Following are the major initiatives successfully implemented at The Academy Charter High School for the 2012-2013 school year:
 - Board of Trustees hired a Director of Curriculum and Instruction in 2012-13 for additional support, coaching and guidance for teachers.
 - In Language Arts, Grade 11 March 2013 HSPA results showed that average “total students” scores exceeded the just proficient means in every cluster.
 - Annual Progress Targets for Mathematics were met with the March, 2013 High School Proficiency Assessments.
 - The PSAT's were administered to all juniors and half of the sophomore class.
 - Completed e-Rate Funding requirements for 2012-13 which will be received in 2013-14.
 - Continued to work with the Fast Start Program of Brookdale Community College to provide graduating seniors an opportunity to earn college credits.
 - A majority of the senior class participated in career internships during the spring.

3. **INTERNAL ACCOUNTING CONTROLS:** Administration of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by administration.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that an adequate internal control structure is in place for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by the Charter School administration.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are required for the General Fund and the Special Revenue Fund. The final budget amount as amended for the fiscal year is presented in the financial section.


An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. There were no amounts to be reappropriated at June 30, 2013.

5. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds each of which maintains a self-balancing set of accounts. These funds are explained in the "Notes to the Basic Financial Statements".
6. **DEBT ADMINISTRATION:** At June 30, 2013 the Charter School had no outstanding debt.
7. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements". The Charter School has an investment policy that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
8. **RISK MANAGEMENT:** The Charter School carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, student accident insurance and fidelity bonds.

9. **INDEPENDENT AUDIT:** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of DAK CPA was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
10. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the Board of Trustees of the Academy Charter High School for their concern in providing fiscal accountability of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation.

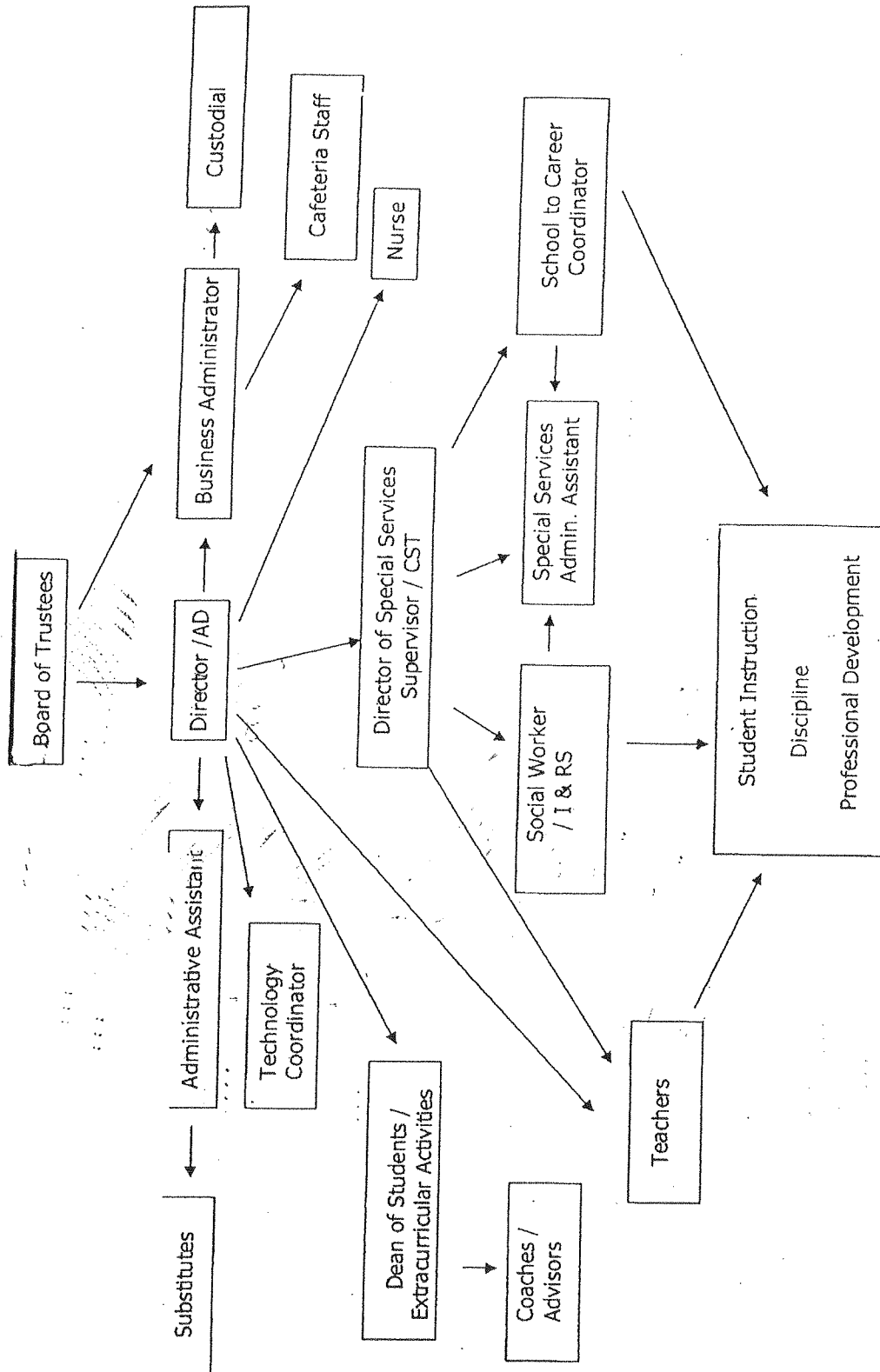
Respectfully submitted,


Richard B. Gartz, CPA
School Business Administrator


Mary Jo McKinley
Charter School Administrator

ACADEMY CHARTER HIGH SCHOOL

ORGANIZATIONAL STRUCTURE



Integrity *Respect*Empathy*Acceptance*Community*Honesty*Focus*Accountability*Responsibility

ACADEMY CHARTER HIGH SCHOOL
ROSTER OF OFFICIALS
JUNE 30, 2013

Members of the Board of Trustees

Richard Morales-Wright, President..... Higher Education Representative
Kimberly Brock..... Community Member
Frankie WinrowParent Representative
Mylo Wright.....Parent Representative
Tasha Youngblood-Brown..... Community Member

Other Officials

Mary Jo McKinley, Director
Richard J Gartz, CPA, Business Administrator
Sikemia Wright, Board Secretary/Business Manager
Fredrick Neimann, Esq., Board Attorney

ACADEMY CHARTER HIGH SCHOOL
CONSULTANTS AND ADVISORS
JUNE 30, 2013

AUDIT FIRM

DAK CPA
512 Marvin Drive
Long Branch, NJ

ATTORNEY

Hanlon & Neimann
3499 Route 9 North
Freehold, New Jersey 07728

OFFICIAL DEPOSITORIES

Wells Fargo Bank

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Academy Charter High School
Lake Como, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information and the related notes to financial statements of the Academy Charter High School ("Charter School") as of and for the fiscal year ended June 30, 2013, as listed in the accompanying table of contents. The financial statements of the Charter School as of June 30, 2012 were audited by other auditors whose report dated February 19, 2013 expressed a qualified opinion on those financial statements. The qualification related to the lack of documentation supporting cost of sales in the Enterprise Fund.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Charter School as of June 30, 2013 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Academy Charter High School's basic financial statements. The introductory section, combining fund financial statements and statistical section are presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



David A. Kaplan, CPA

Registered Municipal Accountant #433

DAK CPA

DAK CPA, Certified Public Accountants

Long Branch, New Jersey
December 2, 2013

REQUIRED SUPPLEMENTARY INFORMATION – PART I

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

The discussion and analysis of Academy Charter High Schools' financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2012-2013 are as follows:

In total, net position totaled \$976,348 which represents a 29.6% increase from 2012.

General revenues accounted for \$3,644,915 in revenue or 93.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$273,530 or 6.9% of total revenues of \$3,918,446.

The total assets of governmental activities increased by \$264,609 as cash and cash equivalents increased by \$331,484, receivables decreased by \$77,490 and capital assets increased by \$10,615.

The Charter School had \$3,661,506 in expenses; only \$273,530 of these expenses was offset by program specific charges for services, grants and contributions.

Among major funds, the General Fund had \$3,644,916 in revenues and \$3,432,613 in expenditures and operating transfers out. The General Fund's fund balance increased by \$212,303 from 2012. The General Fund's fund balance is \$310,207.

Using this Comprehensive Annual Financial Report (CAFR)

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Academy Charter High School Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Charter School, presenting both an aggregate view of the Charter School's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds. In the case of Academy Charter High Schools, the General Fund is by far the most significant.

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

This document contains all funds used by the Charter School to provide programs and activities, viewing the Charter School as a whole and reports the culmination of all financial transactions. The report answers the question, "How We Did Financially During Fiscal Year 2013?" The Statement of Net Position and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because they report on whether the Charter School's financial position has improved or diminished.

In the Statement of Net Position and the Statement of Activities, the Charter School is divided into two kinds of activities:

Governmental activities — All of the Charter School's programs and services are reported here including, instruction and support services.

Business-Type Activities — This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statement

The Analysis of the Charter School's major funds begins is located in the Required Supplementary Information – Part II section. Fund financial reports provide detailed information about the Charter School's major funds. The Charter School's major governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of the funds and balances left at year-end available for spending in the future years. These funds are reported using a modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)**

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities. The reporting of this fund did not change with the conversion to GASB 34.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements.

The Charter School as a Whole

The Statement of Net Position provides the financial perspective of the Charter School as a whole.

Table 1 provides a summary of the Charter School's net position for 2013 in comparison to 2012.

**Table 1
Statement of Net Position
As of June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 548,033	\$ 294,039	\$ 6,079	\$ 3,364	\$ 554,112	\$ 297,403
Capital Assets, Net	<u>666,141</u>	<u>655,526</u>	<u> </u>	<u> </u>	<u>666,141</u>	<u>655,526</u>
Total Assets	<u>\$ 1,214,174</u>	<u>\$ 949,565</u>	<u>\$ 6,079</u>	<u>\$ 3,364</u>	<u>\$ 1,220,253</u>	<u>\$ 952,929</u>
Liabilities						
Other Liabilities	\$ <u>237,826</u>	\$ <u>196,135</u>	\$ <u>6,079</u>	\$ <u>3,364</u>	\$ <u>243,905</u>	\$ <u>199,499</u>
Total Liabilities	<u>\$ 237,826</u>	<u>\$ 196,135</u>	<u>\$ 6,079</u>	<u>\$ 3,364</u>	<u>\$ 243,905</u>	<u>\$ 199,499</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 666,141	\$ 655,526			\$ 666,141	\$ 655,526
Unrestricted	<u>310,207</u>	<u>97,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>310,207</u>	<u>97,904</u>
Total Net Position	<u>\$ 976,348</u>	<u>\$ 753,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,348</u>	<u>\$ 753,430</u>

The Charter School's combined net position were \$976,348 on June 30, 2013. This represents an increase of 29.6% from the previous year.

**ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)**

Table 2 shows the comparative changes in net position from fiscal year 2013 to 2012 and the associated variances.

**Table 2
Changes in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for Services			\$ 1,068	\$ 1,960	\$ 1,068	\$ 1,960
Grants and Contributions	\$ 162,468	\$ 399,411	109,994	140,631	272,462	540,042
General Revenues:						
Local Tax Levies	826,275	811,625			826,275	811,625
Grants and Entitlements	<u>2,816,641</u>	<u>2,224,963</u>			<u>2,816,641</u>	<u>2,224,963</u>
Total Revenues	<u>\$ 3,805,384</u>	<u>\$ 3,435,999</u>	<u>\$ 111,062</u>	<u>\$ 142,591</u>	<u>\$ 3,916,446</u>	<u>\$ 3,578,590</u>
Program Expense:						
Instruction	\$ 1,658,459	\$ 2,186,401			\$ 1,658,459	\$ 2,186,401
Support Services:						
Services	651,181	665,166			651,181	665,166
General and Business						
Administration Services	1,274,826	566,065			1,274,826	566,065
Enterprise Activities	<u></u>	<u></u>	<u>\$ 111,062</u>	<u>\$ 142,591</u>	<u>111,062</u>	<u>142,591</u>
Total Expense	<u>\$ 3,584,466</u>	<u>\$ 3,417,632</u>	<u>\$ 111,062</u>	<u>\$ 142,591</u>	<u>\$ 3,695,528</u>	<u>\$ 3,560,223</u>
Increase in Net Position	\$ 220,918	\$ 18,367	\$ -	\$ -	\$ 220,918	\$ 18,367
Beginning Net Position	<u>\$ 753,430</u>	<u>\$ 735,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,430</u>	<u>\$ 735,063</u>
Ending Net Position	<u>\$ 974,348</u>	<u>\$ 753,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 974,348</u>	<u>\$ 753,430</u>

Governmental Activities

Local tax levies made up 21.7% of total revenues for the fiscal year 2013. Federal, state and local aid/grants and miscellaneous revenues accounted for another 78.3%.

The total cost of all governmental programs and services was \$3,584,466. Instruction accounted for 46.3% of total governmental expenditures.

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)

Business-Type Activities

Revenues for the Charter School's business-type activities were comprised of charges for services and federal and state reimbursements.

Food service revenues and operating transfers in equaled expenses for 2013. Charges for services which are the amount paid by students and other patrons for daily food service represent 1.0% of total revenues.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the comparative total cost of services and the net cost of services for fiscal year 2013 and 2012, respectively.

Table 3
Total and Net Cost of Services
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2013</u>	<u>2012</u>	<u>%</u> <u>Change</u>	<u>2013</u>	<u>2012</u>	<u>%</u> <u>Change</u>
Instruction	\$ 1,673,809	\$ 2,186,401	-23.44%	\$ 1,609,975	\$ 1,842,518	-12.62%
Support Services:						
School Administration	624,030	665,166	-6.18%	624,030	609,638	2.36%
General and Business Administration	<u>1,252,605</u>	<u>566,065</u>	<u>121.28%</u>	<u>1,153,971</u>	<u>566,065</u>	<u>103.86%</u>
Total Expenses	<u>\$ 3,550,444</u>	<u>\$ 3,417,632</u>	<u>3.89%</u>	<u>\$ 3,387,976</u>	<u>\$ 3,018,221</u>	<u>12.25%</u>

Instruction expenses include activities directly associated with the teaching of pupils and the interactions between teacher and student.

General administration, school administration and business include expenses associated with administrative and financial supervision of the Charter School.

The Charter School's Funds

Information about the Charter School's major funds is located in the Required Supplementary Information – Part II section. The modified accrual basis of accounting is used to account for these funds. All governmental funds had total revenue of \$3,807,384 and total expenditures of \$3,561,060. The net increase in fund balance for the year was \$212,303.

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)

As demonstrated by the various statements and schedules included in the financial section of this report, the School Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2013 and 2012, and the amount and percentage of increase and decreases in relation to prior year revenues.

Summary of Revenues				
Revenue	<u>Years Ended</u>		Amount of Increase/ (Decrease)	Percent Increase/ (Decrease)
	<u>2013</u>	<u>2012</u>		
Local Sources	\$ 889,562	\$ 835,126	\$ 54,436	6.52%
State Sources	2,755,354	2,201,462	553,892	25.16%
Federal Sources	<u>162,468</u>	<u>196,946</u>	<u>(34,478)</u>	<u>-17.51%</u>
Total	<u>\$3,807,384</u>	<u>\$3,233,534</u>	<u>\$ 573,850</u>	<u>17.75%</u>

Local source revenues increased by \$54,436 due to the local tax levy revenue increasing by \$14,650 and miscellaneous and local revenues increasing by \$39,786.

Federal source revenue decreased by \$34,478 which is attributable to grants.

State source revenue increased by \$553,892 which is due to various State Aids increasing from fiscal year 2012 to fiscal year 2013.

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)

The following schedule presents a summary of governmental fund expenditures for the fiscal years ended June 30, 2013 and 2012:

Expenditures	Summary of Expenditures		Amount of Increase (Decrease)	Percent Increase (Decrease)
	Years Ended 2013	2012		
Current Expense:				
Instruction	\$ 1,286,957	\$ 2,186,401	\$ (899,444)	\$ -41.14%
Undistributed				
Expenditures	2,244,871	1,132,050	1,112,821	98.30%
Capital Outlay	29,232	49,669	(20,437)	-41.15%
Total	<u>\$ 3,561,060</u>	<u>\$ 3,368,120</u>	<u>\$ 192,940</u>	<u>\$ 5.73%</u>

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2013, the Charter School amended its General Fund budget as needed. The Charter School uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. The School Business Administrator, Principal, and Board of Trustees must approve transfers from one program to another. Transfers were required due to:

- Staffing changes based on student needs.
- Changes in appropriations to prevent budget overruns, as well as to effect account coding corrections.

While the Charter School's final budget for the General Fund anticipated that revenues and expenditures would roughly equal, the actual results for the year shows an increase in surplus of \$212,303.

ACADEMY CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED (CONTINUED)

Capital Assets

At the end of the fiscal years 2013 and 2012, the Charter School had \$666,141 and \$655,526 invested in building deposit, site improvements and machinery and equipment. Table 4 shows fiscal 2013 balances compared to 2012.

Table 4
Capital Assets
as of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Building Deposit	\$ 367,000	\$ 367,000
Site Improvements	329,648	300,416
Machinery and Equipment	<u>378,341</u>	<u>378,341</u>
	\$ 1,074,989	\$ 1,045,757
Less: Accumulated Depreciations	<u>(408,848)</u>	<u>(390,231)</u>
Total Net Assets	<u>\$ 666,141</u>	<u>\$ 655,526</u>

Overall capital assets decreased by \$10,615 from fiscal year 2012 to fiscal year 2013.

For the Future

The Academy Charter High School's financial position during fiscal year 2013 has seen an increase in fund balance of \$212,303. It is the intention of the School, with the assistance of all its contributors and volunteers, to move ahead in fiscal year 2014 and thereafter, to securing financial assistance from the community and benefactors which will assist the School with funding of programs. The Charter School's priority is to increase fund balance to a sufficient level in order to meet the ever changing needs of its students.

The Charter School's major focus for the fiscal year 2014 is to continue to develop relationships with the communities and surrounding areas for support of their efforts in providing a comprehensive education for all their students.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Richard J. Gartz, CPA, Business Administrator at Academy Charter High School, 1725 Main Street, Lake Como, New Jersey 07719.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 331,484		\$ 331,484
Receivables from Other Governments	210,470	\$ 6,079	216,549
Internal Balances	6,079	(6,079)	
Capital Assets, Net:			
Not Being Depreciated	367,000		367,000
Being Depreciated	299,141		299,141
Total Assets	\$ 1,214,174	\$	\$ 1,214,174
<u>LIABILITIES</u>			
Payables to Other Governments	\$ 237,826	\$	\$ 237,826
Total Liabilities	\$ 237,826	\$	\$ 237,826
<u>NET POSITION</u>			
Invested in Capital Assets - Net of Related Debt	\$ 666,141	\$	\$ 666,141
Restricted	171,687		171,687
Unrestricted	138,520		138,520
Total Net Position	\$ 976,348	\$ -	\$ 976,348

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

**ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 1,673,809	\$	\$ 63,834	\$ (1,609,975)	\$	\$ (1,609,975)
Support Services:						
School Administrative Services	624,030			(624,030)		(624,030)
General and Business Administrative Services	1,252,605		98,634	(1,153,971)		(1,153,971)
Total Governmental Activities	\$ 3,550,444	\$ -	\$ 162,468	\$ (3,387,976)	\$ -	\$ (3,387,976)
Business-Type Activities:						
Food Service	\$ 111,062	\$ 1,068	\$ 75,973		\$ (34,021)	\$ (34,021)
Total Business -Type Activities	\$ 111,062	\$ 1,068	\$ 75,973	\$ -	\$ (34,021)	\$ (34,021)
Total Primary Government	\$ 3,661,506	\$ 1,068	\$ 238,441	\$ (3,387,976)	\$ (34,021)	\$ (3,421,997)
General Revenues						
Taxes:						
General Purposes				\$ 826,275	\$	\$ 826,275
State Aid Not Restricted				2,755,354		2,755,354
Miscellaneous Income				63,286		63,286
Change in Net Position Before Transfers				\$ 3,644,915	\$ -	\$ 3,644,915
Transfers						
Change in Net Position After Transfers				\$ 256,939	\$ (34,021)	\$ 222,918
Net Position - Beginning (As Restated)				(34,021)	34,021	
Net Position - Ending				\$ 222,918	\$ -	\$ 222,918
				753,430	-	753,430
				\$ 976,348	\$ -	\$ 976,348

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 484,063	\$	\$ 484,063
Receivables from Other Governments	57,891	152,579	210,470
Due from Other Funds	<u>6,079</u>		<u>6,079</u>
Total Assets	<u>\$ 548,033</u>	<u>\$ 152,579</u>	<u>\$ 700,612</u>
<u>LIABILITIES</u>			
Cash Overdraft		\$ 152,579	\$ 152,579
Due to Other Governments	<u>\$ 237,826</u>		<u>237,826</u>
Total Liabilities	<u>\$ 237,826</u>	<u>\$ 152,579</u>	<u>\$ 390,405</u>
<u>FUND BALANCES</u>			
Assigned to:			
Designated for subsequent years expenditures	\$ 138,520		\$ 138,520
Unassigned	<u>171,687</u>		<u>171,687</u>
Total Fund Balances	<u>\$ 310,207</u>	<u>-</u>	<u>\$ 310,207</u>
Total Liabilities and Fund Balance	<u>\$ 548,033</u>	<u>\$ 152,579</u>	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is \$1,074,989 and the accumulated depreciation is \$408,848.			
			<u>666,141</u>
Net position of governmental activities			<u>\$ 976,348</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources:			
Local Tax Levies	\$ 826,275		\$ 826,275
Miscellaneous	<u>63,287</u>		<u>63,287</u>
Total Local Sources	\$ 889,562	\$ -	\$ 889,562
State Sources	2,755,354		2,755,354
Federal Sources		<u>162,468</u>	<u>162,468</u>
Total Revenues	\$ <u>3,644,916</u>	\$ <u>162,468</u>	\$ <u>3,807,384</u>
<u>Expenditures</u>			
Current:			
Current expense:			
Instruction	\$ 1,223,123	\$ 63,834	\$ 1,286,957
Undistributed expenditures	2,146,237	98,634	2,244,871
Capital outlay	<u>29,232</u>		<u>29,232</u>
Total Expenditures	\$ <u>3,398,592</u>	\$ <u>162,468</u>	\$ <u>3,561,060</u>
Excess of Revenues Over Expenditures	\$ <u>246,324</u>	<u>-</u>	\$ <u>246,324</u>
Other Financing Sources (Uses):			
Transfers Out	\$ <u>(34,021)</u>		\$ <u>(34,021)</u>
Total Other Financing Sources and Uses	<u>(34,021)</u>	<u>-</u>	\$ <u>(34,021)</u>
Net Change in Fund Balances	\$ 212,303	-	\$ 212,303
Fund Balance July 1 (As Restated)	<u>97,904</u>		<u>97,904</u>
Fund Balance June 30	<u><u>\$ 310,207</u></u>	<u><u>-</u></u>	<u><u>\$ 310,207</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	212,303
--	----	---------

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$	(18,617)	
Capital Outlay		29,232	
			10,615
Change in Net Position of Governmental Activities	\$		222,918

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

PROPRIETARY FUNDS

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
<u>ASSETS</u>		
Current Assets:		
Accounts Receivable:		
State Sources	\$ 70	\$ 70
Federal Sources	<u> 6,009</u>	<u> 6,009</u>
Total Current Assets	\$ <u> 6,079</u>	\$ <u> 6,079</u>
Total Assets	\$ <u> 6,079</u>	\$ <u> 6,079</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Interfund Payable	\$ <u> 6,079</u>	\$ <u> 6,079</u>
Total Current Liabilities	\$ <u> 6,079</u>	\$ <u> 6,079</u>
<u>NET POSITION</u>		
Unrestricted	\$ _____	\$ _____
Total Net Position	\$ <u> </u>	\$ <u> </u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Nonreimbursable Programs	\$ 1,068	\$ 1,068
Total Operating Revenues	\$ 1,068	\$ 1,068
Operating Expenses:		
Salaries	\$ 12,000	\$ 12,000
Cost of Sales	91,821	91,821
Supplies and Materials	7,241	7,241
Total Operating Expenses	\$ 111,062	\$ 111,062
Operating Loss	\$ (109,994)	\$ (109,994)
Nonoperating Revenues:		
State Sources:		
State School Lunch Program	\$ 951	\$ 951
Federal Sources:		
National School Lunch Program	49,071	49,071
National School Breakfast program	25,951	25,951
Total Nonoperating Revenues	\$ 75,973	\$ 75,973
Income/(Loss) before Contributions and Operating Transfers	\$ (34,021)	\$ (34,021)
Operating Transfers:		
Operating Transfer In - General Fund	34,021	34,021
Change in Net Position	\$ 0	\$ 0
Total Net Position - Beginning	0	0
Total Net Position - Ending	\$ 0	\$ 0

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>	
	<u>Food</u> <u>Service</u>	<u>Total</u> <u>Enterprise</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 1,068	\$ 1,068
Payments to Suppliers	<u>(108,347)</u>	<u>(108,347)</u>
Net Cash Used for Operating Activities	\$ <u>(107,279)</u>	\$ <u>(107,279)</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
State Sources	\$ 922	\$ 922
Federal Sources	72,336	72,336
Operating Subsidies and Transfers	<u>34,021</u>	<u>34,021</u>
Net Cash Provided by Noncapital Financing Activities	\$ <u>107,279</u>	\$ <u>107,279</u>
Net Increase in Cash and Cash Equivalents	\$	\$
Balances - Beginning of Year	<u>-</u>	<u>-</u>
Balances - End of Year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for</u> <u>Operating Activities</u>		
Operating Loss	\$ <u>(109,994)</u>	\$ <u>(109,994)</u>
Adjustments to Reconcile Operating Loss to Net		
Cash Used for Operating Activities:		
Change in Assets and Liabilities:		
Increase in Interfunds Payable	\$ <u>2,715</u>	\$ <u>2,715</u>
Total Adjustments	\$ <u>2,715</u>	\$ <u>2,715</u>
Net Cash Used for Operating Activities	\$ <u><u>(107,279)</u></u>	\$ <u><u>(107,279)</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

FIDUCIARY FUNDS

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose <u>Trust</u>	Agency <u>Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>2,148</u>	\$ <u>43,828</u>
Total Assets	\$ <u>2,148</u>	\$ <u><u>43,828</u></u>
<u>LIABILITIES</u>		
Payable to Student Groups	\$	\$ 3,652
Payroll Deductions and Withholdings	<u> </u>	<u>40,176</u>
Total Liabilities	\$ <u>-</u>	\$ <u><u>43,828</u></u>
<u>NET POSITION</u>		
Reserved for Scholarships	\$ <u>2,148</u>	\$ <u> </u>
Total Net Position	\$ <u>2,148</u>	\$ <u> </u>
Total Liabilities and Net Position	\$ <u><u>2,148</u></u>	\$ <u><u>43,828</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Joseph F. Clark
 Scholarship
Trust Fund

Additions

Contributions:

Donations

\$ 187

Total Additions

\$ 187

Deductions

Other

\$ 550

Total Deductions

\$ 550

Change in Net Position

\$ (363)

Total Net Position - Beginning

2,511

Total Net Position - Ending

\$ 2,148

The accompanying Notes to the Basic Financial Statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Academy Charter High School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Trustees (the "Board") consists of appointed officials and is responsible for the fiscal control of the Charter School. An Educational Director is appointed by the Board and is responsible for the administrative control of the Charter School.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operation of the Charter School is a middle school located in Red Bank. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below.

A. Basis of Presentation

The Charter School's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

1. District-Wide Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

1. District-Wide Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

2. Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

General Fund – The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

2. Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Charter School:

Enterprise Fund – The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

The Charter School's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into invested in capital assets net of related debt and unrestricted net position, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. There are no fixed assets within the proprietary funds.

3. Fiduciary Funds

Trust and Agency Funds – The Trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds – Agency Funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll, student activities funds and the ice hockey foundation.

C. Measurement Focus

1. Charter School-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Charter School are included on the Statement on Net Position.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Charter School receives a portion of the local tax levy and state aid from the several school districts based upon the number of enrolled students. The State Department of Education in conjunction with the local school district revises the amounts to be received by the Charter School three times a year based upon the enrollment counts on June 1, October 15, and the last day of the school year. The local tax levy and state aid are susceptible to accrual. The Charter School records the entire anticipated local tax levy to be received at the start of the fiscal year based upon the June 1 enrollment count and certification from the New Jersey State Department of Education, since the revenue is both measurable and available. The Charter School is entitled to receive moneys under the established payment schedule, which is revised after each enrollment count date, and the unpaid amount is considered to be an "accounts receivable". At June 30, 2013, the Charter School had accounts receivable of \$57,891 that represented amounts that had not been received based upon the current year final enrollment count.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets/Budgetary Control (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

F. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were no encumbrances at June 30, 2013.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years

K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. The Charter School had no compensated absence liability at year end.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. Unearned Revenue

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

O. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

3. DEPOSITS AND INVESTMENTS

Deposits

The Charter School's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At June 30, 2013, the book value of the Board's deposits was \$379,156 and bank balances of the Charter School's cash and deposits amounted to \$555,856. Of the bank balances \$250,000 was covered by FDIC. The Charter School's deposits which are displayed on the combined balance sheet as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Uninsured and Collateralized	<u>305,856</u>
	<u>\$ 555,856</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2013, \$250,000 of the Board's bank balances were not exposed to custodial credit risk. The remaining bank balances of \$305,856 were.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2013, the Charter School had no investments.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Balance June 30, 2013
Not being depreciated:			
Building Deposit	\$ 367,000		\$ 367,000
Being depreciated:			
Site Improvements	300,416	\$ 29,232	329,648
Machinery and Equipment	378,341		378,341
	\$ 1,045,757	\$ 29,232	\$ 1,074,989
Less: Accumulated Depreciation	(390,231)	(18,617)	(408,848)
Net Assets	\$ 655,526	\$ 10,615	\$ 666,141

The proprietary fund type had no capital assets at June 30, 2013. Depreciation expense for governmental activities held assets was \$18,617 for 2013.

5. LEASING ARRANGEMENTS

The School leases its facility under a non-cancelable operating lease. The lease in the monthly amount of \$30,556 with an annual basic rent of \$366,672 is for the term of four years with three five year renewals subject to school's charter renewal and terms of financing. The basic rent shall be increased each year of the initial term and each year of any applicable renewal year at a rate which will be the lesser of 3% or the change in the U.S. Department of Labor CPI. Total rental expense for the year ended June 30, 2013 was \$366,672

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

6. PENSION PLANS

Description of Plans: Substantially all of the employees of the Charter School participate in either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund, defined benefit pension plans, that have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF): The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS): The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

6. PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions: The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be $1/55^{\text{th}}$ of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation: Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2010, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2010, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2010, not more than 80 percent.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

6. PENSION PLANS (CONTINUED)

Contribution Requirements: The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.64% of employees' annual covered salary. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2013	\$ 31,926	100%
June 30, 2012	32,448	100%
June 30, 2011	24,499	100%

Three-Year Trend Information for TPAF
(Paid on-behalf of the Charter School)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2013	\$ 180,662	100%
June 30, 2012	38,876	100%
June 30, 2011	3,868	100%

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

6. PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Charter School \$87,408 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

7. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

8. ECONOMIC DEPENDENCY

The Charter School receives its support from federal, state and local governments. A significant reduction in the level of support, if this were to occur, would have an impact on the Charter School's programs and activities.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

9. DEFERRED COMPENSATION

The Charter School offers its employees a choice of a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan is administered by the entity listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are solely the property of the participants. Accordingly, the plan assets are not reported as part of these financial statements. The plan administrator is the Equitable.

10. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

11. INTERFUND/INTERNAL BALANCES AND TRANSFERS

There was one interfund balance at June 30, 2013 of \$6,079 due to the General Fund from the Enterprise Fund. This interfund is expected to be liquidated in the next fiscal year.

12. FUND BALANCE APPROPRIATED

General Fund – Of the \$310,207 General Fund fund balance at June 30, 2013, there is \$0 assigned for encumbrances, \$171,687 has been assigned and included as anticipated revenue for the year ending June 30, 2014; therefore, \$138,520 is unassigned.

13. CONTINGENT LIABILITIES

The Charter School is a party defendant in some lawsuits, none of a kind unusual for a Charter School of its size and scope of operation. In the opinion of the Charter School's Attorney the potential claims against the Charter School not covered by insurance policies would not materially affect the financial condition of the Charter School.

ACADEMY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

14. PRIOR PERIOD RESTATEMENT

The beginning Net Position of Governmental Activities has been restated. A restatement was necessary to correct beginning cash, receivables, and accounts payable. The restatement resulted in a decrease to the beginning Net Position of \$108,261.

15. RECENT PRONOUNCEMENTS

Both the provisions of GASB Statement No. 65 and the AICPA's "Clarity Standards" have been implemented for this report.

16. SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report, December 3, 2013. No such disclosures were required.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levies	\$ 879,217	\$ (52,942)	\$ 826,275	\$ 826,275	\$ -
Miscellaneous	32,960	(2,000)	30,960	63,287	32,327
Total - Local Sources	\$ 912,177	\$ (54,942)	\$ 857,235	\$ 889,562	\$ 32,327
<u>State Sources:</u>					
Equalization Aid (Local levies - state share)	\$ 2,235,170	\$ (72,368)	\$ 2,162,802	\$ 2,162,802	\$ -
Special education aid	188,339	(35,441)	152,898	152,898	-
Security Aid	86,725	(3,870)	82,855	82,855	-
NJ Nonpublic Aid		72,801	72,801	72,801	-
Reimbursed TPAF Social Security Contributions (non-budgeted)				103,336	103,336
On-Behalf Teacher's Pension and Annuity Fund Contributions (non-budgeted)				180,662	180,662
Total - State Sources	\$ 2,510,234	\$ (38,878)	\$ 2,471,356	\$ 2,755,354	\$ 283,998
Total Revenues	\$ 3,422,411	\$ (93,820)	\$ 3,328,591	\$ 3,644,916	\$ 316,325
<u>Expenditures</u>					
General Fund:					
Instruction:					
Salaries of teachers	\$ 1,127,025	\$ (58,539)	\$ 1,068,486	\$ 1,068,486	\$ -
Other salaries for instruction	13,500	31,661	45,161	45,161	-
Purchased professional/technical services	88,378	(19,828)	68,550	17,766	50,784
Other purchased services	18,616	-	18,616	16,530	2,086
General supplies	80,830	(11,000)	69,830	48,778	21,052
Textbooks	13,250	(500)	12,750	4,794	7,956
Miscellaneous expense	29,000	-	29,000	21,608	7,392
Total instruction	\$ 1,370,599	\$ (58,206)	\$ 1,312,393	\$ 1,223,123	\$ 89,270

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
<u>Expenditures (Continued)</u>					
General Fund (Continued):					
Undistributed expenditures:					
Administrative:					
Salaries - administration	\$ 360,480	\$ (22,112)	\$ 338,368	\$ 330,027	\$ 8,341
Salaries of secretarial/clerical assistants	46,532	7,500	54,032	54,032	-
Total benefit costs	531,748	23,000	554,748	491,765	62,983
Purchased professional/technical services	81,840	11,500	93,340	84,534	8,806
Other purchased services	3,000	3,960	6,960	5,668	1,292
Communications/telephone	19,018	-	19,018	17,236	1,782
Supplies and materials	7,200	-	7,200	4,496	2,704
Loan Payments - Interest		2,000	2,000	1,884	116
Miscellaneous expense	2,000	5,500	7,500	7,437	63
Total administrative	\$ 1,051,818	\$ 31,348	\$ 1,083,166	\$ 997,079	\$ 86,087
Support services:					
Salaries	\$ 233,125	\$ 40,306	\$ 273,431	\$ 267,115	\$ 6,316
Purchased professional/technical services	66,523	(1,017)	65,506	48,792	16,714
Other purchased services	6,644	78,427	85,071	82,679	2,392
Rental of land and buildings	366,672	-	366,672	366,672	-
Insurance for property, liability and fidelity	57,456	(639)	56,817	51,049	5,768
Supplies and materials	31,050	235	31,285	25,598	5,687
Transportation - other than to/from school	1,000	23,000	24,000	23,060	940
Miscellaneous expense	1,000	-	1,000	195	805
Total support services	\$ 763,470	\$ 140,312	\$ 903,782	\$ 865,160	\$ 38,622
Reimbursed TPAF social security contributions (non-budgeted)			\$	103,336	\$ (103,336)
On-Behalf Teacher's Pension and Annuity Fund Contributions (non-budgeted)				180,662	(180,662)
				283,998	(283,998)
Total undistributed expenditures	\$ 1,815,288	\$ 171,660	\$ 1,986,948	\$ 2,146,237	\$ (159,289)

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Expenditures (Continued)					
Current Expense (Continued):					
Capital outlay:					
Noninstructional equipment	\$ 3,960	\$ (3,960)	\$ -	\$ -	\$ -
Building Maintenance	195,000	(69,467)	125,533	29,232	96,301
Miscellaneous expense	2,200	-	2,200		2,200
Total budgeted capital outlay	\$ 201,160	\$ (73,427)	\$ 127,733	\$ 29,232	\$ 98,501
Total general fund	\$ 3,387,047	\$ 40,027	\$ 3,427,074	\$ 3,398,592	\$ 28,482
Excess/(deficiency) of revenues over/(under) expenditures	\$ 35,364	\$ (133,847)	\$ (98,483)	\$ 246,324	\$ 344,807
Other financing sources/(uses):					
Operating transfer out - deficit in food service	(19,000)	(15,021)	(34,021)	(34,021)	\$ -
Total other financing sources/(uses)	\$ (19,000)	\$ (15,021)	\$ (34,021)	\$ (34,021)	\$ -
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing sources/(uses)	\$ 16,364	\$ (148,868)	\$ (132,504)	\$ 212,303	\$ 344,807
Fund balances, July 1 (As Restated)	\$ 97,904		\$ 97,904	\$ 97,904	
Fund balances, June 30	\$ 114,268	\$ (148,868)	\$ (34,600)	\$ 310,207	\$ 344,807
Recapitulation:					
Assigned to:					
Designated for subsequent years expenditures				\$ 171,687	
Unassigned				138,520	
				\$ 310,207	

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>					
Federal Sources	\$ 198,282	\$ (3,637)	\$ 194,645	\$ 162,468	\$ (32,177)
Total Revenues	\$ 198,282	\$ (3,637)	\$ 194,645	\$ 162,468	\$ (32,177)
<u>Expenditures</u>					
Instruction:					
Salaries of Teachers	\$ 148,255	\$ (111,394)	\$ 36,861	\$ 22,231	\$ 14,630
General Supplies		49,167	49,167	41,603	7,564
Total Instruction	\$ 148,255	\$ (62,227)	\$ 86,028	\$ 63,834	\$ 22,194
Support Services:					
Salaries of Other Professional Staff	\$ 50,027	\$ 53,062	\$ 53,062	\$ 53,062	-
Employee Benefits		(41,472)	8,555	8,555	-
Purchased Professional - Educational Services		47,000	47,000	37,017	9,983
Total Support Services	\$ 50,027	\$ 58,590	\$ 108,617	\$ 98,634	\$ 9,983
Total Expenditures	\$ 198,282	\$ (3,637)	\$ 194,645	\$ 162,468	\$ 32,177
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 3,644,916	[C-2]	\$ 162,468
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				
<hr/>				
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ <u>3,644,916</u>	[B-2]	\$ <u>162,468</u>
Uses/outflows of resources:				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 3,398,592	[C-2]	\$ 162,468
Difference - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				
<hr/>				
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ <u>3,398,592</u>	[B-2]	\$ <u>162,468</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Title I</u>	<u>Title IIA</u>	<u>I.D.E.A.</u>	<u>Totals</u>
	<u>2012-13</u>	<u>2011-12</u>	<u>Regular</u>	<u>2013</u>
			<u>Program,</u>	
			<u>Part B</u>	
			<u>2012-13</u>	
Revenues:				
Federal sources	\$ 102,138	\$ 9,889	\$ 50,441	\$ 162,468
Total revenues	\$ 102,138	\$ 9,889	\$ 50,441	\$ 162,468
Expenditures:				
Instruction:				
Salaries of teachers	\$ 13,990	\$ 8,241		\$ 22,231
General supplies	41,603			41,603
Total instruction	\$ 55,593	\$ 8,241		\$ 63,834
Support services:				
Salaries of other professional staff	\$ 30,000		\$ 23,062	\$ 53,062
Purchased professional/				
educational services	14,250		22,767	37,017
Employee benefits	2,295	\$ 1,648	4,612	8,555
Total support services	\$ 46,545	\$ 1,648	\$ 50,441	\$ 98,634
Total expenditures	\$ 102,138	\$ 9,889	\$ 50,441	\$ 162,468

PROPRIETARY FUNDS

ENTERPRISE FUND

EXHIBIT G-1

**ACADEMY CHARTER HIGH SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**ACADEMY CHARTER HIGH SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**ACADEMY CHARTER HIGH SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	<u>Trust</u> <u>Private</u> <u>Purpose</u>	<u>Agency</u> <u>Student</u> <u>Activities</u>	<u>Payroll</u>	<u>Total</u> <u>Agency</u> <u>Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>2,148</u>	\$ <u>3,652</u>	\$ <u>40,176</u>	\$ <u>43,828</u>
Total Assets	\$ <u><u>2,148</u></u>	\$ <u><u>3,652</u></u>	\$ <u><u>40,176</u></u>	\$ <u><u>43,828</u></u>
<u>LIABILITIES</u>				
Payable to Student Groups	\$ -	\$ 3,652		\$ 3,652
Payroll Deductions and Withholdings			\$ <u>40,176</u>	<u>40,176</u>
Total Liabilities	\$ <u>-</u>	\$ <u>3,652</u>	\$ <u>40,176</u>	\$ <u>43,828</u>
<u>NET POSITION</u>				
Reserved for Scholarships	\$ <u>2,148</u>	\$ _____	\$ _____	\$ _____
Total Net Position	\$ <u>2,148</u>	\$ _____	\$ _____	\$ _____
Total Liabilities and Net Position	\$ <u><u>2,148</u></u>	\$ <u><u>3,652</u></u>	\$ <u><u>40,176</u></u>	\$ <u><u>43,828</u></u>

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Joseph F. Clark
 Scholarship
Trust Fund

Additions

Contributions:

Donations

\$ 187

Total Additions

\$ 187

Deductions

Other

\$ 550

Total Deductions

\$ 550

Change in Net Position

\$ (363)

Total Net Position - Beginning

2,511

Total Net Position - Ending

\$ 2,148

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance <u>July 1, 2012</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance <u>June 30, 2013</u>
Cash and Cash Equivalents				
School Account	\$ <u>3,203</u>	\$ <u>3,728</u>	\$ <u>3,279</u>	\$ <u>3,652</u>
	\$ <u><u>3,203</u></u>	\$ <u><u>3,728</u></u>	\$ <u><u>3,279</u></u>	\$ <u><u>3,652</u></u>

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>4,634</u>	\$ <u>2,148,437</u>	\$ <u>2,112,895</u>	\$ <u>40,176</u>
Total Assets	\$ <u><u>4,634</u></u>	\$ <u><u>2,148,437</u></u>	\$ <u><u>2,112,895</u></u>	\$ <u><u>40,176</u></u>
<u>LIABILITIES</u>				
Liabilities:				
Payroll Deductions and Withholdings	\$ <u>4,634</u>	\$ <u>2,148,437</u>	\$ <u>2,112,895</u>	\$ <u>40,176</u>
Total Liabilities	\$ <u><u>4,634</u></u>	\$ <u><u>2,148,437</u></u>	\$ <u><u>2,112,895</u></u>	\$ <u><u>40,176</u></u>

STATISTICAL SECTION (UNAUDITED)

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
NET POSITION BY COMPONENT
LAST EIGHT FISCAL YEARS

(Unaudited)

(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities								
Invested in capital assets, net of related debt	\$ 102,490	\$ 104,244	\$ 123,059	\$ 506,264	\$ 606,483	\$ 634,117	\$ 655,526	\$ 666,141
Restricted								171,687
Unrestricted							97,904	138,520
Total governmental activities net position	\$ 102,490	\$ 104,244	\$ 123,059	\$ 506,264	\$ 606,483	\$ 634,117	\$ 753,430	\$ 976,348
Business-type activities								
Unrestricted	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total business-type activities net position	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District-wide								
Invested in capital assets, net of related debt	\$ 102,490	\$ 104,244	\$ 123,059	\$ 506,264	\$ 606,483	\$ 634,117	\$ 655,526	\$ 666,141
Unrestricted	0	0	0	0	0	0	97,904	138,520
Total charter school net position	\$ 102,490	\$ 104,244	\$ 123,059	\$ 506,264	\$ 606,483	\$ 634,117	\$ 753,430	\$ 976,348

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Expenses								
Governmental activities								
Instruction								
Regular	\$ 1,044,043	\$ 1,334,791	\$ 1,153,454	\$ 1,618,455	\$ 1,621,418	\$ 1,722,801	\$ 2,186,401	\$ 1,673,809
Support Services:								
School Administrative Services	977,758	565,529	721,634	560,840	624,951	569,667	665,166	624,030
General and Business Services	497,817	406,126	468,977	620,024	592,284	494,714	466,884	1,286,626
Total governmental activities expenses	\$ 2,519,618	\$ 2,306,446	\$ 2,344,065	\$ 2,799,319	\$ 2,838,653	\$ 2,787,182	\$ 3,318,451	\$ 3,584,465
Business-type activities:								
Food service	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,591	\$ 111,062
Total business-type activities expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,591	\$ 111,062
Total district expenses	\$ 2,519,618	\$ 2,306,446	\$ 2,344,065	\$ 2,799,319	\$ 2,838,653	\$ 2,787,182	\$ 3,461,042	\$ 3,695,527
Program Revenues								
Governmental activities:								
Operating grants and contributions	\$ 390,870	\$ 181,125	\$ 173,642	\$ 211,554	\$ 137,955	\$ 102,242	\$ 399,411	\$ 162,468
Total governmental activities program revenues	\$ 390,870	\$ 181,125	\$ 173,642	\$ 211,554	\$ 137,955	\$ 102,242	\$ 399,411	\$ 162,468
Business-type activities:								
Charges for services								
Food service	\$ 11,135	\$ 12,417	\$ 11,139	\$ 10,947	\$ 14,033	\$ 15,601	\$ 1,960	\$ 1,068
Operating grants and contributions	31,029	28,254	24,766	24,246	29,238	30,022	69,710	109,994
Total business type activities program revenues	\$ 42,164	\$ 40,671	\$ 35,905	\$ 35,193	\$ 43,271	\$ 45,623	\$ 71,670	\$ 111,062
Total district program revenues	\$ 433,034	\$ 221,796	\$ 209,547	\$ 246,747	\$ 181,226	\$ 147,865	\$ 471,081	\$ 273,530

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue								
Governmental activities	\$ (2,128,748)	\$ (2,125,321)	\$ (2,170,423)	\$ (2,587,765)	\$ (2,700,698)	\$ (2,684,940)	\$ (2,919,040)	\$ (3,421,997)
Business-type activities	42,164	40,671	35,905	35,193	43,271	45,623	(70,921)	0
Total district-wide net expense	<u>\$ (2,086,584)</u>	<u>\$ (2,084,650)</u>	<u>\$ (2,134,518)</u>	<u>\$ (2,552,572)</u>	<u>\$ (2,657,427)</u>	<u>\$ (2,639,317)</u>	<u>\$ (2,989,961)</u>	<u>\$ (3,421,997)</u>
General Revenues and Other Changes in Net Position								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 1,201,246	\$ 1,195,607	\$ 1,199,555	\$ 1,288,310	\$ 1,355,756	\$ 1,442,956	\$ 3,013,087	\$ 826,275
Grants and contributions	1,546,435	952,217	1,021,005	1,266,685	1,479,585	1,096,175	399,411	2,755,353
Miscellaneous income	31,846	61,076	23,220	15,012	26,767	36,522	23,501	63,287
Total governmental activities	<u>\$ 2,779,527</u>	<u>\$ 2,208,900</u>	<u>\$ 2,243,780</u>	<u>\$ 2,570,007</u>	<u>\$ 2,862,108</u>	<u>\$ 2,575,653</u>	<u>\$ 3,435,999</u>	<u>\$ 3,644,915</u>
Business-type activities:								
Miscellaneous	\$ 3,622							\$
Total business-type activities	<u>\$ 3,622</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total district-wide	<u>\$ 2,783,149</u>	<u>\$ 2,208,900</u>	<u>\$ 2,243,780</u>	<u>\$ 2,570,007</u>	<u>\$ 2,862,108</u>	<u>\$ 2,575,653</u>	<u>\$ 3,435,999</u>	<u>\$ 3,644,915</u>
Change in Net Position								
Governmental activities	\$ 650,779	\$ 83,579	\$ 73,357	\$ (17,758)	\$ 161,410	\$ (109,287)	\$ 516,959	\$ 222,918
Business-type activities	45,786	40,671	35,905	35,193	43,271	45,623	(70,921)	0
Total district	<u>\$ 696,565</u>	<u>\$ 124,250</u>	<u>\$ 109,262</u>	<u>\$ 17,435</u>	<u>\$ 204,681</u>	<u>\$ (63,664)</u>	<u>\$ 446,038</u>	<u>\$ 222,918</u>

Note:
GASB requires that ten years of statistical data be presented. However only eight years of data is available.
Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
General Fund								
Unreserved	\$ 48,055	\$ 164,252	\$ 516,824	\$ 143,401	\$ 152,379	\$ 209,207	\$ 97,904	\$ 310,207
Total general fund	\$ 48,055	\$ 164,252	\$ 516,824	\$ 143,401	\$ 152,379	\$ 209,207	\$ 97,904	\$ 310,207
All Other Governmental Funds								
Reserved								
Unreserved, reported in:								
Special revenue fund								
Capital projects fund								
Debt service fund								
Permanent fund								
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Note:

GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 44 in fiscal year 2013 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax levy	\$ 1,201,246	\$ 1,195,607	\$ 1,199,555	\$ 1,288,310	\$ 1,355,756	\$ 1,442,956	\$ 1,419,080	\$ 1,400,343	\$ 1,396,289	\$ 826,275
Miscellaneous	23,086	56,587	23,219	16,641	26,767	36,522	10,268	25,795	33,263	63,287
Local sources	77,404	47,110	8,381	58,356	27,119	6,385	60,375	37,361	19,182	
State sources	770,175	957,365	1,037,471	1,236,491	1,226,629	1,180,557	1,178,053	1,204,502	1,471,523	2,755,354
Federal sources	819,221	128,867	140,261	128,198	102,577	95,857	67,736	111,840	85,338	162,468
Total revenue	\$ 2,891,132	\$ 2,385,536	\$ 2,408,887	\$ 2,727,996	\$ 2,738,848	\$ 2,762,277	\$ 2,735,512	\$ 2,779,841	\$ 3,005,595	\$ 3,807,384
Expenditures										
Instruction	\$ 1,087,335	\$ 1,104,918	\$ 962,396	\$ 1,299,073	\$ 1,263,111	\$ 1,353,432	\$ 1,275,553	\$ 1,257,771	\$ 1,321,201	\$ 1,286,957
Regular Instruction										
Support Services:										
General administration	660,909	727,239	839,376	737,442	853,965	790,278	770,041	766,265	769,983	1,289,632
Other Support Services	581,040	395,505	456,116	637,676	619,426	521,160	558,419	546,029	639,786	955,239
Capital outlay	3,026,698	74,881	92,755	160,788	100,217	84,259	98,702	95,973	168,434	29,232
Total expenditures	\$ 5,355,982	\$ 2,302,543	\$ 2,350,643	\$ 2,834,979	\$ 2,836,719	\$ 2,749,129	\$ 2,702,715	\$ 2,666,038	\$ 2,899,404	\$ 3,561,060
Excess (Deficiency) of revenues over (under) expenditures	(2,464,850)	82,993	58,244	(106,983)	(97,871)	13,148	32,797	113,803	106,191	246,324
Other Financing sources (uses)										
Proceeds from mortgage	2,491,240									
Transfers out										(34,021)
Total other financing sources (uses)	\$ 2,491,240	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ (34,021)
Net change in fund balances	\$ 26,390	\$ 82,993	\$ 58,244	\$ (106,983)	\$ (97,871)	\$ 13,148	\$ 32,797	\$ 113,803	\$ 106,191	\$ 212,303
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: charter school records

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
GENERAL FUND REVENUE- OTHER LOCAL REVENUE BY SOURCE
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year Ending June 30,	Book Fines and Graduation Fees		Donations		Insurance Refunds		E-Rate		Use of Facilities		Miscellaneous		Annual Totals	
	\$		\$		\$		\$		\$		\$			
2013	4,168		715		20,943		4,868		9,255		23,338		63,287	
2012											23,501		23,501	
2011											79,363		79,363	
2010											36,726		36,726	
2009											48,141		48,141	
2008											55,597		55,597	
2007											65,998		65,998	
2006											56,470		56,470	

Source: District records

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction								
Regular	30	30	30	30	30	30	30	30
Special education	4	4	4	4	4	4	4	4
Other special education	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-
Support Services:								
Student & instruction related services	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-
School administrative services	5	5	5	4	4	4	4	4
Other administrative services	-	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-	-
Administrative Information Technology	-	-	-	-	-	-	-	-
Plant operations and maintenance	-	-	-	-	-	-	-	-
Pupil transportation	-	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-
Total	39	39	39	38	38	38	38	38

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
OPERATING STATISTICS
LAST EIGHT FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2006	200	\$ 2,519,618	12,598	19.60%	30	30	200.0	186	5.58%	93.00%
2007	200	2,593,208	12,966	2.92%	30	30	206.0	188	3.00%	91.26%
2008	205	2,646,964	12,912	-0.42%	30	30	200.0	192	-2.91%	96.00%
2009	195	3,288,385	16,864	30.60%	30	30	186	186	-8.00%	101.09%
2010	220	3,187,421	14,488	-14.09%	30	30	184.0	200	0.00%	108.70%
2011	219	3,403,939	15,543	7.28%	30	30	185.0	200	0.54%	108.11%
2012	200	3,318,451	16,592	6.75%	30	30	186.0	190	0.54%	102.15%
2013	200	3,369,360	16,847	8.39%	30	30	206.0	189	11.35%	91.75%

Sources: District records

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
SCHOOL BUILDING INFORMATION
LAST EIGHT FISCAL YEARS

(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013
<u>District Building</u>								
High School								
Academy Charter High School								
Square Feet	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Capacity (students)	200	200	212	212	212	212	212	212
Enrollment	200	200	205	195	220	219	200	200
<u>Other</u>								
Athletic Building								
Square Feet	7,662	7,662	7,662	7,662	7,662	7,662	7,662	7,662

Number of Schools at June 30, 2013
 High School = 1

Source: Charter School Records

Note:

GASB requires that ten years of statistical data be presented. However only eight years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
INSURANCE SCHEDULE
JUNE 30, 2013
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Gunn Steers & Company, LLC		
<u>School Package Policy</u>		
Blanket Real and Personal Property	\$ 2,780,000	1,000
Equipment	100,000	1,000
Student Accident Insurance	1,000,000	1,000
<u>Surety Bonds</u>		
Treasurer	150,000	1,000
Board Secretary	150,000	1,000
Directors/Officers Liability	1,000,000	5,000

Source: charter school records

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
FISCAL PERFORMANCE/FISCAL RATIOS
LAST THREE YEARS
(Unaudited)

Exhibit J-21

	2011 Audit	2012 Audit	2013 Audit
Cash	141,982	124,265	331,484
Current Assets	353,902	388,127	548,033
Total Assets	988,019	512,392	879,517
Current Liabilities	144,695	371,994	237,826
Total Liabilities	144,695	371,994	237,826
Net Position	843,324	140,398	976,348
Total Revenue	3,594,821	3,435,999	3,884,424
Total Expenses	3,510,359	3,439,041	3,661,506
Change in Net Assets	84,462	(3,042)	222,918
Depreciation Expense	28,671	28,260	18,617
Interest Expense	0	0	1,884
Principal Payments	0	0	0
Interest Payments	0	0	0
Final Average Daily Enrollment	186	185	206
March 30th Budgeted Enrollment	n/a	n/a	n/a

RATIOS ANALYSIS...				
Near Term Indicators		2011	2012	2013
1a.	Current Ratio	2.45	1.04	2.30
1b.	Unrestricted Days Cash	14.76	13.19	33.04
1c.	Enrollment Variance	n/a	n/a	n/a
1d.*	Default	No	No	No
Sustainability Indicators				
2a.	Total Margin	9%	-1%	25%
2b.	Debt to Asset	6.83	1.38	3.70
2c. **	Cash Flow	79,618	(17,717)	207,219
2d.	Debt Service Coverage Ratio	113,133	25,218	243,419

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

** 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash; 2011 = 2011 Cash - 2010 Cash

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable President and Members
of the Board of Trustees
Academy Charter High School
Lake Como, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of Academy Charter High School ("Charter School"), in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2013, which collectively comprise the Charter School's basic financial statements and related notes to the financial statements and have issued our report thereon dated December 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter School's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS-(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated December 2, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants



David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
December 2, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE
OF STATE FINANCIAL ASSISTANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW
JERSEY OMB CIRCULAR 04-04**

Honorable President and Members
of the Board of Trustees
Academy Charter High School
Lake Como, New Jersey

Report on Compliance for Each Major State Programs

We have audited the Academy Charter High School ("Charter School"), Red Bank, NJ, compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2013. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" and State of New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about The Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Charter School's compliance.

Opinion on Each Major State Program

In our opinion, the Charter School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE
OF STATE FINANCIAL ASSISTANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW
JERSEY OMB CIRCULAR 04-04 - CONTINUED**

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04 *State Aid/Grant Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and NJ OMB Circular 04-04 *State Aid/Grant Compliance Supplement*. Accordingly, this report is not suitable for any other purposes.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants



David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
December 2, 2013

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Period		Award Amount	July 1, 2012			Cash Received	Budgetary Expenditures	June 30, 2013		
		From	To		(Accounts Receivable)	Deferred Revenue	Due to Grantor			(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education: Passed Through State Department of Education: Special Revenue Fund: Title I, Part A 11/12	84.010	9/1/11	- 8/31/12	\$ 136,855	\$ (136,855)	\$	\$	\$ 136,855	\$	\$	\$	\$
Title I, Part A 12/13	84.010	9/1/12	- 8/31/13	127,764					(102,138)	(102,138)		
Title II, Part A 11/12	84.367	9/1/11	- 8/31/12	11,400	(7,850)			7,850				
Title II, Part A 12/13	84.367	9/1/12	- 8/31/13	9,889				9,889	(9,889)			
IDEA Part B, Basic Regular 11/12	84.027	9/1/11	- 8/31/12	50,027	(48,691)			50,027	(1,336)			
IDEA Part B, Basic Regular 12/13	84.367	9/1/12	- 8/31/13	56,992					(50,441)	(50,441)		
Total Special Revenue Fund					(193,396)			204,621	(163,804)	(152,579)		
U.S. Department of Agriculture: Passed Through State Department of Education: Food Service Enterprise Fund: National School Breakfast Program 12/13	10.553	7/1/12	- 6/30/13	25,951				23,740	(25,951)	(2,211)		
National School Breakfast Program 11/12	10.553	7/1/11	- 6/30/12	22,611	(1,334)			1,334				
National School Lunch Program 12/13	10.555	7/1/12	- 6/30/13	49,071				45,273	(49,071)	(3,798)		
National School Lunch Program 11/12	10.555	7/1/11	- 6/30/12	46,158	(1,989)			1,989				
Total Food Service Enterprise Fund					(3,323)			72,336	(75,022)	(6,009)		
Total Federal Awards				\$	(196,719)	\$	\$	\$ 276,957	\$ (238,826)	\$ (158,588)	\$	\$

Note:
This Schedule of Federal Awards is not Subject to a Single Audit in Accordance with OMB Circular A-133

ACADEMY CHARTER HIGH SCHOOL
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/ Program Title	Grant or State Project Number	Grant Period		Award Amount	July 1, 2012		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2013	
		From	To		(Accounts Receivable)	Deferred Revenue				(Accounts Receivable)	Deferred Revenue
State Department of Education: General Fund:	Special Education Categorical Aid 12/13	13-495-034-5120-089	7/1/12 - 6/30/13	\$ 152,898	\$	\$	\$	\$ 152,898	\$ (152,898)	\$	\$
	Security Aid 12/13	13-495-034-5120-084	7/1/12 - 6/30/13	82,855				82,831	(82,855)	(24)	
	Equalization Aid 12/13	13-495-034-5120-078	7/1/12 - 6/30/13	2,162,802				2,162,251	(2,162,802)	(551)	
	Reimbursed TPAF Social Security Contributions 12/13	13-495-034-5095-002	7/1/12 - 6/30/13	103,336				98,414	(103,336)	(4,922)	
	Total General Fund							2,496,394	(2,501,891)	(5,497)	
Food Service Enterprise Fund:	State School Lunch Program 12/13	13-100-010-3350-023	7/1/12 - 6/30/13	951				881	(951)	(70)	
	State School Lunch Program 11/12	12-100-010-3350-023	7/1/11 - 6/30/12	941	(41)			41			
	Total Food Service Enterprise Fund				(41)			922	(951)	(70)	
	Total				(41)	\$	\$	2,497,316	(2,502,842)	(5,567)	\$

ACADEMY CHARTER HIGH SCHOOL
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Board of Trustees of the Academy Charter High School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2(C) to the Board's basic financial statements. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year whereas for GAAP reporting revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

ACADEMY CHARTER HIGH SCHOOL
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,755,354	\$ 2,755,354
Special Revenue Fund	\$ 162,468		162,468
Food Service	<u>75,022</u>	<u>951</u>	<u>75,973</u>
 Total Awards and Financial Assistance	 <u>\$ 237,490</u>	 <u>\$ 2,756,305</u>	 <u>\$ 2,993,795</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. OTHER

TPAF Social Security Contributions in the amount of \$103,336 represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013. The amount reported as TPAF Pension and Annuity Contributions in the amount of \$180,662 represents the amount paid by the State on behalf of the Charter School for the year ended June 30, 2013, this amount is omitted from Schedule K-4 as it is not subject to state single audit.

ACADEMY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapters 5.18 through 5.20 of *Government Auditing Standards*.

NONE.

**Section III - Schedule State Financial Assistance
Findings and Questioned Costs**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

NONE.

**Section III - Schedule of Federal Awards
Findings and Questioned Costs**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

NONE.

ACADEMY CHARTER HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Item 2012-01 Food Service

Condition: Information to fully support the cost of sales in the proprietary fund – food service was not available for audit.

Status: Condition is corrected.